

Message Text

UNCLASSIFIED

PAGE 01 REYKJA 00784 01 OF 02 091717Z
ACTION EUR-12

INFO OCT-01 ISO-00 ABF-01 CIAE-00 COME-00 EB-07 INR-07
LAB-04 NSAE-00 SIL-01 DODE-00 PM-04 H-02 L-03
NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15 OMB-01
TRSE-00 EPG-02 /085 W
-----091723Z 004190 /41

R 091608Z JUN 77
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC 7362
INFO AMEMBASSY COPENHAGEN
AMEMBASSY OSLO
AMEMBASSY PARIS
AMEMBASSY STOCKHOLM
CINCLANT
COMICEDEFOR

UNCLAS SECTION 1 OF 2 REYKJAVIK 0784

USOECD

FOR EUR/NE, EUR/EX AND A/BF

E.O. 11652: N/A
TAGS: ABUD, ELAB, ECON, IC
SUBJECT: LABOR TALKS - GO AND STOP

REF: 1) REYKJAVIK 0757 B) REYKJAVIK 714 C) REYKJAVIK 644

1. STATUS OF CURRENT NEGOTIATIONS. PROGRESS IN LABOR
NEGOTIATIONS RESEMBLE THE RATCHET EFFECT. ALL WAGE
INCREASE PROPOSALS ARE INITIALLY REJECTED; WHEREUPON
NEGOTIATORS DISCUSS PERIPHERAL ISSUES UNTIL THE NEXT
WAGE INCREASE PROPOSAL IS FORTHCOMING. THIS JERKY
FORWARD MOTION HAS BEEN SUFFICIENT TO ENABLE SOME
NEGOTIATORS TO MAINTAIN A CAUTIOUS OPTIMISM. BELOW FOR
COMPARISON IS THE LATEST WAGE INCREASE OFFER OF THE
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 REYKJA 00784 01 OF 02 091717Z

EMPLOYERS FEDERATION, AND ITS EARLIER OFFER AS WELL AS
THE PROPOSAL OF THE STATE ARBITRATION COMMITTEE. TO
CAST SOME GLOOM ON THIS RAY OF HOPE THERE ALSO FOLLOWS
THE LATEST STRIKE SCHEDULE PROPOSED BY THE ICELANDIC
FEDERATION OF LABOR (IFL). LIKE PREVIOUS STRIKES THESE
ARE PARTIAL (EXCEPT THE LAST DAY), BUT UNLIKE THE
ALTERNATING GEOGRAPHICAL APPROACH OF THE JUNE 3-9 SERIES,

THE JUNE 13-20 SERIES WILL INVOLVE ALTERNATING BY TYPES OF UNIONS ON A COUNTRY WIDE BASIS. ON JUNE 21 A GENERAL STRIKE THROUGHOUT THE COUNTRY IS BEING SCHEDULED. BEYOND THIS POINT EVERYTHING IS CONJECTURE AND RUMOR. HOWEVER THE GENERAL SENTIMENT AMONG KNOWLEDGEABLE ICELANDIC OBSERVERS CONTINUES TO BE OPTIMISTIC, ANTICIPATING A WAGE ACCORD BEFORE ANY PROLONGED GENERAL STRIK ACTION ACTUALLY OCCURS. AS IN PAST NEGOTIATIONS THE GOVERNMENT WILL PLAY KEY ROLE WITH EMPLOYERS LOOKING FOR SIGNIFICANT RELIEF BEFORE THEY COMMIT THEMSELVES TO ANY LARGE WAGE INCREASES.

2. WAGE INCREASE PROPOSALS. WITH SOME 70 PER CENT OF THE UNIONS AGREEING TO THE 2.5 PER CENT INCREASE FOR "SPECIAL DEMANDS" (I.E. FRINGE BENEFITS), WHICH HAD EARLIER BEEN PROPOSED BY THE ARBITRATION COMMITTEE AND ACCEPTED BY THE EMPLOYERS (REF B), NEGOTIATIONS HAVE MOVED ON TO THE QUESTION OF WAGE INCREASES. ON SUNDAY, JUNE 5, THE EMPLOYERS (AFTER SEVERAL DAYS OF NO FORWARD MOTION IN THE NEGOTIATIONS) SUBMITTED TO ICELANDIC FEDERATION OF LABOR (IFL) FOLLOWING PROPOSAL: 12,000 KRONUR (OR APPROX. \$62 - ONE US DOLLAR EQUALS APPROX. 194 IKR.) INCREASE OF MONTHLY WAGES IMMEDIATELY, FOLLOWED BY 3,000 KRONUR (\$15.50) INCREASES RESPECTIVELY ON SEPTEMBER 1, ON JAN. 1, 1978 AND JULY 1, 1978. COST OF LIVING COMPENSATION ON WAGES WOULD BE PAID IN FIXED SUMS UNTIL MARCH 1, 1978 AND AFTER THAT IN PERCENTAGES. SPECIAL DEMANDS WOULD BE COVERED BY 2.5 PERCENT INCREASE. THE AGREEMENT WOULD EXPIRE MAY 1, 1979. EMPLOYERS' OFFER IS RELATED TO HOPED-FOR UNCLASSIFIED

UNCLASSIFIED

PAGE 03 REYKJA 00784 01 OF 02 091717Z

GOI MEASURES (E.G. TAX CUTS) WHICH WOULD INCREASE PURCHASING POWER OF WAGES WITHOUT HURTING BUSINESS. IFL IMMEDIATELY REJECTED OFFER STATING THAT EMPLOYERS IN ICELANDIC COOPERATIVES (COOPS) ALREADY AGREED TO THE HIGHER ARBITRATION PROPOSAL AND THAT NEW EMPLOYER OFFER WAS IN EFFECT EVEN LESS THAN PREVIOUSLY OFFERED BY EMPLOYERS FEDERATION (REF B) (NON-COOP EMPLOYERS) BECAUSE OF THE WAY (DATES) IN WHICH VARIOUS PARTS (E.G. COST OF LIVING COMPENSATION) CAME INTO EFFECT.

3. AS POINT OF COMPARISON ORIGINAL OFFER FROM EMPLOYERS FEDERATION WAS FOR MONTHLY INCREASE OF 8,500 KRONUR (\$44) IMMEDIATELY PLUS AN INCREASE OF 2,500 KRONUR (\$27) ON DEC. 1 AND MARCH 1, 1978. A COST OF LIVING COMPENSATION (SAME PERCENTAGE ON ALL WAGES) WOULD HAVE BEEN PAID ON SEPTEMBER 1 AND AT THREE MONTH INTERVALS THEREAFTER. SPECIAL DEMANDS WOULD HAVE BEEN COVERED BY A 1 PERCENT INCREASE. THE AGREEMENT WOULD EXPIRE MAY 1, 1979.

4. ARBITRATION COMMITTEE PROPOSAL (AS REPORTED IN REF B)
WAS FOR IMMEDIATE INCREASE OF 15,000 KRONUR (ABOUT \$77) PER
MONTH, 6,000 KNONUR (\$31) ON JANUARY 1, 1978 AND 2.5 PERCENT TO
TAKE CARE OF SPECIAL DEMANDS. COST OF LIVING INCREASES WOULD
FOLLOW NEW INDEX BEGINNING MAY 1, 1977. ON SEPT. 1 ALL WAGE
EARNERS WOULD GET A FLAT 850 KRONUR (\$4.38) WAGE INCREASE
FOR EACH POINT THE INDEX HAS RISEN DURING THE PERIOD MAY
1 - AUG. 1. SIMILARLY ON DEC 1. ON MARCH 1, 1978
AND QUARTERLY THEREAFTER, COMPENSATION WOULD BE PAID
IN DIRECT PROPORTION TO THE RISE IN THE INDEX. THE
AGREEMENT WOULD END NOVEMBER 1, 1978. (WITH RESPECT TO
THE ABOVE, THE COOP EMPLOYERS AGREED TO ARBITRATION
COMMITTEE PROPOSAL BUT WITH RESERVATIONS, WHEREAS
EMPLOYERS FEDERATION SAID IT WAS TOO COSTLY BUT WAS
ACCEPTABLE AS A BASIS FOR NEGOTIATION. EXACTLY HOW MUCH
DIFFERENCE THERE IS IN THE VIEWS OF THE TWO EMPLOYER
GROUPS IS NOT CLEAR.)
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 REYKJA 00784 01 OF 02 091717Z

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 REYKJA 00784 02 OF 02 091859Z
ACTION EUR-12

INFO OCT-01 ISO-00 ABF-01 CIAE-00 COME-00 EB-07 INR-07
LAB-04 NSAE-00 SIL-01 DODE-00 PM-04 H-02 L-03
NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15 OMB-01
TRSE-00 EPG-02 /085 W
-----101142Z 005632 /12

R 091608Z JUN 77
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC 7363
INFO AMEMBASSY COPENHAGEN
AMEMBASSY OSLO
AMEMBASSY PARIS
AMEMBASSY STOCKHOLM
CINCLANT
COMICEDEFOR

UNCLAS SECTION 2 OF 2 REYKJAVIK 0784

USOECD

FOR EUR/NE, EUR/EX AND A/BF

5. LATEST STRIKE SCHEDULE.

MANDAY JUNE 13 - METAL WORKERS AND SHIPBUILDERS

TUESDAY JUNE 14 - FACTORY AND CONSTRUCTION WORKERS

WEDNESDAY JUNE 15 - ELECTRICIANS, PRINTERS, HOTEL
AND RESTAURANT WORKERS.

THURSDAY JUNE 16 - OFFICE AND STORE WORKERS

FRIDAY JUNE 17 - HOLIDAY (INDEPENDENCE DAY)

MONDAY JUNE 20 - FISHING INDUSTRY, TRUCK DRIVERS,
DOCK WORKERS.

TUESDAY JUNE 21 - ONE DAY GENERAL STRIKE THROUGHOUT THE
COUNTRY.

6. COMMENT. ARBITRATION COMMITTEE PROPOSAL REMAINS

AXIS ABOUT WHICH NEGOTIATIONS REVOLVE. WHILE

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 REYKJA 00784 02 OF 02 091859Z

UNIONS HAVE NOT MADE ANY COUNTERPROPOSALS TO EMPLOYER
OFFERS, ARBITRATION COMMITTEE PROPOSAL SEEMS TO BE
GUIDELINE WHICH BOTH SIDES ARE KEEPING IN MIND.
IT IS ALSO LIKELY THAT IT CARRIES SOME MORAL ATTRACTIONS
AS REPRESENTING JUST COMPROMISE AND THUS IS LIKELY TO
COMMAND SYMPATHY OF PUBLIC AT LARGE. EMBASSY
DISCUSSIONS WITH THE NATIONAL ECONOMIC INSTITUTE ON
INFLATIONARY EFFECT OF ARBITRATION COMMITTEE PROPOSAL
SUGGEST THAT SHOULD IT GO INTO EFFECT, ANNUAL AVERAGE
INFLATION RATE WOULD BE ABOUT 30 PERCENT FOR 1977 OR
THE SAME AS FOR 1976. THESE CALCULATIONS ARE BASED IN PART ON
INFLATION FIGURES FOR EARLY MONTHS OF 1977. HOWEVER, SINCE
GREATEST IMPACT OF INFLATION IS USUALLY IN LAST HALF OF THE
YEAR, THESE FORCECASTS MIGHT WELL ERR ON OPTIMISTIC SIDE FOR
BOTH 1977 AND 1978. LARGE POTENTIAL INCREASES IN INFLATION CARRY
IMPLICATIONS WHICH GO BEYOND ECONOMIC ARENA, AND RAISE
QUESTIONS OF POLITICAL NATURE, ESPECIALLY WITH RESPECT
TO THE UPCOMING NATIONAL AND REYKJAVIK CITY ELECTIONS.
(BOTH OF WHICH ARE CURRENTLY SCHEDULED FOR MID 1978
THOUGH DATE FOR NATIONAL ELECTIONS COULD BE MOVED UP
IF GOVERNMENT WISHES). INDPENDENCE PARTY (IP) RECEIVED
CONSIDERABLE SUPPORT IN 1974 ELECTIONS BECAUSE OF PARTY'S
COMMITMENT TO CONTROL INFLATION. ANOTHER YEAR OF 30 PERCENT MORE
INFLATION COULD WELL ERODE VOTER SUPPORT. THUS IP, AS
SENIOR GOVERNMENT COALITION PARTNER, REMAINS CAUGHT IN
UNENVIABLE POSITION OF TRYING TO BE FORTHCOMING TO
WORKERS DEMANDS AND THUS AVOID DISLOCATIONS OF POSSIBLE
LONG STRIKE AND TRYING TO BRING INFLATION DOWN TO
REASONABLE LIMITS (10-12 PERCENT). EVEN SOLOMON MIGHT
HAVE HAD TROUBLE RESOLVING THIS ONE.

BLAKE

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DISPUTE SETTLEMENT, PROGRESS REPORTS, NEGOTIATIONS, LABOR UNIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 09-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977REYKJA00784
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770206-1010
Format: TEL
From: REYKJAVIK
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770673/aaaacmcz.tel
Line Count: 225
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 32241782-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 REYKJAVIK 757, 77 REYKJAVIK 714, 77 REYKJAVIK 644
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2213726
Secure: OPEN
Status: NATIVE
Subject: LABOR TALKS - GO AND STOP
TAGS: ABUD, ELAB, ECON, IC
To: STATE USOECD
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/32241782-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009